

This Listing Statement is compiled by the Exchange from documents filed by the Company in making application for listing. It is issued for the information of members, member firms and member corporations of the Exchange. It is not and is not to be construed as a prospectus. The Exchange has received no consideration in connection with the issue of this Listing Statement other than the customary listing fee. The documents referred to above are open for inspection at the general office of the Exchange.

LISTING STATEMENT No. 2344

LISTED FEBRUARY 19, 1969
4,866,038 shares of ordinary voting common stock,
par value \$10. including 129,545 shares
held in the treasury and 1,755,904 shares
subject to issuance.
Stock Symbol "KOC"
Post Section 11
Dial Quotation No. 2254

MAR 20 1969

file

THE TORONTO STOCK EXCHANGE

LISTING STATEMENT

KEWANEE OIL COMPANY

Incorporated under the Laws of the State of Delaware

CAPITALIZATION AS OF SEPTEMBER 30, 1968

Share Capital	Shares Authorized	Issued and Outstanding	To be Listed
Ordinary Voting Common	6,000,000	2,980,589	4,866,038 (1)
Convertible Voting Common	1,000,000	557,739 (2)	None
Preference Stock, Without Par Value,	1,500,000	See reference to Series A	
Issuable in Series			
Series A, \$2 Cumulative Convertible Preferred	(879,597)	700,096 (3)	None

- (1) Including (a) 129,545 shares ordinary voting common stock previously issued but repurchased by the Company and now held in its Treasury. Of these shares 4,921 are being held for deferred bonuses, 10,595 are being held for employee stock options, and 114,029 are being held for corporate use. In addition 619,867 of the shares shown are reserved for issuance upon conversion of the convertible voting common stock and 1,136,037 shares are reserved for issuance upon conversion of the series A \$2 Cumulative Convertible Preferred stock.
- (2) Does not include 62,128 shares of convertible voting common stock previously issued but repurchased by the Company and now held in its Treasury, (a) 4,050 shares for employee stock options, and (b) 58,078 shares for corporate use.
- (3) Does not include 40,612 shares of Series A \$2 Cumulative Convertible Preferred stock previously issued but repurchased by the Company and now held in its Treasury for the Company deferred bonus fund established for employees by The Harshaw Chemical Company prior to merger. Also does not include 16,650 unissued shares which are reserved for stock options previously granted to certain employees of the Harshaw division.

FUNDED DEBT

As of September 30, 1968, the outstanding funded debt of the Company (including current maturities thereof) totalled \$21,649,000.00. The various obligations call for maturity of said debt at different intervals to October 1, 1978. For detailed explanation see page 8 of this application under heading, "Long Term or Funded Debt".

APPLICATION

Kewanee Oil Company, ("Kewanee" or the "Company"), hereby makes application to the Toronto Stock Exchange for the listing of:

- A 3,110,134 issued shares of its Ordinary Voting Common Stock, Par Value \$10 (including 129,545 shares held in the Treasury); and for authority to add to the list
- 1,136,037 additional shares of said Ordinary Voting Common Stock, upon official notice of issuance thereof, upon conversion of the above mentioned 757,358 shares of Series A \$2 Cumulative Convertible Preferred Stock; and
- 619,867 additional shares of said Ordinary Voting Common Stock upon official notice of issuance thereof, upon conversion of a like number of shares of the Company's issued Convertible Voting Common stock, making a total of
- 4,866,038 shares of said Ordinary Voting Common Stock, the listing of which is herein applied for (of a total authorized issue of 6,000,000 shares).

All of the shares of Ordinary Voting Common Stock, the listing of which is herein applied for, are, or when issued will be, fully paid and non-assessable, with no personal liability attaching to the ownership thereof.

HISTORY AND BUSINESS

Keweenaw Oil Company (Keweenaw) was incorporated under the laws of the State of Delaware on July 1, 1937, as successor under a plan of reorganization, to Enterprise Transit Company, a Pennsylvania corporation formed on May 26, 1871. In September, 1937, Keweenaw acquired all of the assets of Keweenaw Oil and Gas Company, a West Virginia corporation, organized in 1908 as a subsidiary of Enterprise.

Keweenaw and The Harshaw Chemical Company (Harshaw) entered into a merger, effective December 9, 1966, with Keweenaw being the surviving company. Harshaw was incorporated under the laws of the State of Ohio on August 21, 1897, as the C. H. Price Company. Its name was changed in 1899 to The Harshaw Fuller and Goodwin Company, and again on February 14, 1929, to The Harshaw Chemical Company.

Since the merger Keweenaw, as the surviving company, has operated with two principal divisions, the Oil Division and the Chemical Division.

Keweenaw, and certain of its subsidiaries, through its Oil Division, are principally engaged in the exploration for, acquisition of, and production of crude oil and natural and casinghead gas in the United States. Similar operations are conducted to a lesser degree in Canada. One of its subsidiaries, not a regulated public utility, supplies water to major and independent oil producers in New Mexico. Another is engaged in the refining, manufacture and sale of asphalt and refined petroleum products in the State of Washington. In addition, Keweenaw, in conjunction with others, owns interests of varying degrees in petroleum processing plants and pipe lines in various states. Its oil and gas operation includes substantial production from leases offshore from the State of Louisiana.

Another wholly owned subsidiary owns two American Flag oil tankers engaged in coast-wise and foreign trade, carrying all types of petroleum products and bulk grain cargoes. These vessels are chartered to major petroleum companies and distributors and to the Military Sea Transportation Service, a military supply agency of the United States. Several other vessels are operated under contract with this agency and other vessel owners.

The Chemical Division, and related subsidiaries, have as their principal business the manufacture and sale of chemicals and chemical products consisting of catalysts, anodes, electroplating chemicals, metal organic compounds, metallic soaps, ceramic colors, opacifiers, glass enamels, hydrofluoric acid, fluorine derivatives, pigments, dry colors, dyes, fine organic chemicals, synthetic crystals, components for radiation detection devices, refined glycerine and various other products.

The operations of The Chemical Division are conducted through four operating divisions. The business of each is summarized below:

Industrial Chemical Division

The principal products of this division include nickel anodes, metallic salts and special addition agents, used by the automotive, home appliance and other industries in treating and electroplating metallic surfaces; hydrofluoric acid and fluorine derivatives, used by the petroleum, stainless steel, glass, refrigerant and metal extraction industries; refined glycerine, used in the manufacture of explosives, cellophane, cigarettes, pharmaceutical preparations and synthetic resins; and fine organic chemicals employed in dyeing processes, photographic development and in other uses. A substantial portion of the sales of this division is accounted for by the resale of products purchased from others, the most important of which is nickel anodes.

Pigment and Dye Division

This division is engaged principally in the manufacture and sale of pigments and dry colors used in the manufacture of paint, varnish, floor coverings, plastics and printing inks, as well as dyes for the textile industry.

Catalyst and Ceramic Division

This division is engaged principally in the manufacture and sale of catalysts used in petroleum refining, in the manufacture of synthetic rubber, plastics, resins and synthetic organic chemicals, and for the hydrogenation of fats. It also manufactures and sells opacifiers, glass enamels and colors used in the manufacture of ceramic products and in the decoration of glassware and china.

Crystal-Solid State Division

This division is engaged primarily in the manufacture and sale of synthetic scintillation and optical crystals. It also manufactures components for radiation detection devices, and gas-tube and solid-state detectors.

The following tables show the net daily production of crude oil and natural gas by the Oil and Gas Division of Keweenaw and its wholly owned subsidiaries during each of the last five years and for the first nine months of 1968:

Keweenaw Oil Company	Crude Oil Production (Net Barrels) (a)					1st Nine Months 1968
	1963	1964	1965	1966	1967	
Texas	3,026,295.04	3,478,499.55	3,525,481.24	3,390,334.23	3,325,489.96	2,278,963.22
Oklahoma	2,375,291.75	2,335,499.24	2,379,999.46	2,273,101.59	1,920,264.89	1,473,632.50
Kansas	968,778.80	1,185,429.25	1,140,325.19	1,045,725.74	936,817.29	628,488.33
All other states	939,746.06	950,515.64	921,400.55	955,881.62	885,493.83	554,471.16
Total U.S. Production	7,310,111.65	7,949,943.68	7,967,206.44	7,665,043.18	7,068,065.97	4,935,555.21
Canadian Subsidiaries	1,094,852.63	1,383,425.39	780,957.81	6,204.04	10,744.95	14,852.21
Grand Total	8,404,964.28	9,333,369.07	8,748,164.25	7,671,247.22	7,078,810.92	4,950,407.42

(a) Forty-two U.S. Gallon Barrels

Natural Gas Production (Net MCF's)						
Kewanee Oil Company	1963	1964	1965	1966	1967	1st Nine Months 1968
Texas	62,736	214,668	675,213	331,825	416,608	279,392
Oklahoma	4,297	187,183	201,307	85,310	104,927	78,347
Kansas	57,263	63,440	76,473	357,149	487,038	444,746
Pennsylvania	—	—	492,234	643,480	637,820	448,470
All other states	968,709	1,194,028	1,018,089	1,501,144	2,238,509	2,580,844
Total U.S. Production	1,093,005	1,659,319	2,463,316	2,918,908	3,884,902	3,831,799
Canadian Subsidiaries	1,912,531	2,577,711	1,301,572	—	110,602	442,430
Grand Total	3,005,536	4,237,030	3,764,888	2,918,908	3,995,504	4,274,229

Casinghead Gas Production (Net MCF's)						
Kewanee Oil Company	1963	1964	1965	1966	1967	1st Nine Months 1968
	6,115,464	7,730,970	6,986,112	6,190,799	5,248,646	3,433,739

Net production represents the Company's share of gross production from properties in which it owns an interest, after deducting co-owner and royalty interests of others and production attributable to outstanding production payment interests.

RESERVES

Huntley & Huntley, Petroleum Geologists, Pittsburgh, Pennsylvania, have estimated the net proven reserves of Kewanee Oil Company and its wholly owned subsidiaries as of September 30, 1968, as follows:

"HUNTLEY & HUNTLEY"
Incorporated
Geologists
Established 1922

L. G. Huntley, Emeritus
Robert S. Stewart
Thomas W. Angeman
R. R. Wylie, Jr.

Benedum-Trees Building
Pittsburgh, Pa. 15222
Area Code 412
281-5614

December 20, 1968

Kewanee Oil Company
40 Morris Avenue
Bryn Mawr, Pennsylvania 19010

Gentlemen:

Pursuant to your request, we have made an estimation of the net Remaining Recoverable Oil and Gas reserves of Kewanee Oil Company, as of September 30, 1968.

We are familiar with the Company's properties and operation and have estimated the Company's reserves numerous times in the past. The date of the last detailed examination of the Company's reserve position was as of June 30, 1968. This examination has been brought forward as of the date of September 30, 1968 for the purposes of this report.

As of September 30, 1968, we estimate the net proved and developed oil reserves to be 58,000,000 barrels.

As of September 30, 1968, we estimate the net proved gas reserves to be 77,000 MMCF.

Kewanee Oil Company at the present time has no significant production of condensate or natural gas liquids and therefore no reserve figure has been estimated for these products. However, production of this type will become important in the near future when production begins from the offshore Louisiana leases which are presently under development.

Included in the oil reserve figure are certain royalties and production payments owned by the Company. Properly weighted reserves, giving due consideration to the long range nature of certain of these production payments, have been assigned on a net basis to the Company and are included in the net reserve figures. The reserve required for satisfaction of other production payments which exist as obligations against certain properties of the Company are not included in the reserve figures.

Substantial additional oil, condensate and dry gas reserves are anticipated from the previously mentioned development in progress in the Louisiana offshore area. Although these reserves are considered to be in the proven or semi-proven category, only the reserves under the fully developed areas are included for the purposes of this report.

The Company also has substantial oil reserves on properties not developed for secondary recovery as of this date. Reserves in these categories are not included in the above reserve estimate.

The report has been prepared from an examination of production, geological, and engineering records in the Company's various offices and from similar data retained in our files from previous examinations. We have made no field examination of the properties for the purposes of this report and have accepted all information as factual.

For the purpose of this report, we assume that all properties will be operated in a similar manner as to methods and efficiency as of the date of appraisal.

Respectfully submitted,
HUNTLEY & HUNTLEY, INCORPORATED
/s/ Robert S. Stewart
Robert S. Stewart

RSS:jhm"

A considerable number of secondary waterflood operations are either in progress, in varying stages of development, or in an active planning stage. It is reasonable to anticipate that certain of these projects will contribute, in varying degrees, to the Company's future producing capacity and attendant reserve position. Due to the nature of these reserves accurate estimations are, in most instances, very difficult. It is the Company's policy that secondary reserves are not included until such time as they are definitely proven. Consequently, only the reserves from those secondary projects that are considered developed are included above.

The Company and its subsidiaries employ approximately 2,300 persons.

INCORPORATION AND CHANGES IN CAPITALIZATION

The Company was incorporated under the Laws of the State of Delaware, United States of America on July 1, 1937 with an authorized capital stock of 50,000 shares of the par value of \$100.00 each.

By amendment dated June 13, 1950, the authorized capital stock was changed to 1,000,000 shares of the par value of \$10.00 each. The 50,000 shares of previously issued \$100.00 par value stock were recalled and 10 shares of the new \$10.00 par value capital stock were issued for each share of the \$100.00 capital stock recalled. Effective December 15, 1950, a 100% stock dividend of 500,000 shares was distributed to the stockholders.

By amendment dated March 3, 1960, the authorized capital stock was changed to 1,000,000 shares of Class A and 3,000,000 shares of Class B, each of the par value of \$10.00. The previously issued 1,000,000 shares of common stock were recalled and 1 share of Class A and 2 shares of Class B were issued for each share of the old common stock recalled.

By amendment dated May 10, 1966, the authorized capital stock was changed to 1,000,000 shares of Convertible Voting Common Stock of the par value of \$10.00 each and 5,000,000 shares of Ordinary Voting Common Stock of the par value of \$10.00 each.

By amendment dated December 9, 1966, the authorized number of Ordinary Voting Common Shares was increased to 6,000,000 shares of the par value of \$10.00 each and the authorized capital stock was further increased to include 1,500,000 shares of Preference Stock without par value, to be issued in Series, the first such authorization being 879,597 shares of Series A \$2 Cumulative Convertible Preferred Stock.

SHARES ISSUED DURING PAST TEN YEARS

Date of and Class of Stock	Number of Shares	Amount Realized Per Share(1)	Total Amount Realized(1) Capital	Capital in Excess of Par	Purpose
1959—Common	None	—	—	—	—
1960—Class A Common	1,000,000	\$10.00 Split	\$22,097,660	\$2,097,660	{ Stock split and dividend
1960—Class B Common	2,209,766	20.00 Div.			
1961—Class A Common	None	—	—	—	—
1961—Class B Common	None	—	—	—	—
1962—Class A Common	None	—	—	—	—
1962—Class B Common	64,195	28.56	641,950	1,191,459	Stock dividend
1963—Class A Common	None	—	—	—	—
1963—Class B Common	98,218	35.31	982,180	2,485,898	Stock dividend
1964—Class A Common	None	—	—	—	—
1964—Class B Common	101,166	30.81	1,011,660	2,105,264	Stock dividend
1965—Class A Common	None	—	—	—	—
1965—Class B Common	103,328	31.00	1,033,280	2,169,888	Stock dividend
1966—Ordinary Voting Common	35,213	28.75	352,130	660,244	Stock dividend
1966—Ordinary Voting Common	363,553	—	—	—	Conversion of convertible voting common
1966—Series A \$2 Cumulative Con- vertible Preferred	813,947	—	—	—	Merger (2)
1966—Convertible Voting Common	None	—	—	—	—
1967—Ordinary Voting Common	21,358	—	—	—	Conversion of \$2 cumulative con- vertible preferred
1967—Ordinary Voting Common	14,662	—	—	—	Conversion of convertible voting common
1967—Series A \$2 Cumulative Con- vertible Preferred	12,350	{ 11,350 @ 24.75 1,000 @ 32.25	182,250	127,913	Exercise of Stock Options

Date of and Class of Stock	Number of Shares	Amount Realized Per Share(1)	Total Amount Realized(1) Capital	Capital in Excess of Par	Purpose
1967—Convertible Voting Common	None	—	—	—	
1968—Ordinary Voting Common	1,918	—	—	—	Conversion of convertible voting common
1968—Ordinary Voting Common	108,705	—	—	—	Conversion of \$2 Cumulative Con- vertible Preferred
1968—Series A \$2 Cumulative Con- vertible Preferred	13,750	13,250 @ 24.75 500 @ 32.25	206,250	137,812	Exercise of Stock Options
1968—Convertible Voting Common	None	—	—	—	—

(1) All monetary references as shown above or elsewhere in this application are in United States dollars.

(2) As part of consideration for acquisition and merger of The Harshaw Chemical Company into Kewanee Oil Company.

On June 4, 1968, Kewanee Oil Company exchanged 16,742 shares of Ordinary Common Stock held in the Company Treasury for the assets of Belle Chemical Company of Gastonia, North Carolina. The Treasury shares had previously been issued to the public and repurchased by the Company. As result of the exchange, capital in excess of par was increased \$307,849.07 representing the difference between cost and market value of shares exchanged.

STOCK PROVISIONS AND VOTING POWERS

Each share of Ordinary Voting Common Stock is entitled to one vote at all meetings of the shareholders.

Each share of Convertible Voting Common Stock is entitled to ten votes at all meetings of the shareholders.

Each such share is convertible into one (1) share of Ordinary Voting Common Stock.

Each share of Ordinary Voting Common Stock and each share of Convertible Voting Common Stock is entitled to participate in dividends after provision has been made for payment of dividends on the Series A \$2 Cumulative Preferred Stock as set forth hereinbelow. In any such dividend distribution the amount to be distributed for each share of Convertible Voting Common Stock is restricted to two-thirds of the amount declared and paid to each holder of a share of Ordinary Voting Common Stock.

Each share of the Series A \$2 Cumulative Convertible Preferred Stock shall be entitled to one vote at all meetings of the shareholders. Each such share is entitled to a cash dividend of \$2 per annum, payable in equal quarterly installments on the 10th day (or the first business day thereafter) of March, June, September and December of each year. All such dividends shall be cumulative and shall take precedence over dividend distributions to other classes of stock. On liquidation or dissolution, each share shall be entitled to receive \$45 plus an amount equal to all unpaid accumulated dividends on each share up to the date fixed for distribution, and no more. Such shares shall not be redeemable prior to January 1, 1972. Thereafter such shares shall be redeemable in whole or in part, at the option of the Company. Redemption prices, after December 31, 1972, shall be as follows:

Price Per Share	If Redeemed in:
\$47.50	1972
47.00	1973
46.50	1974
46.00	1975
45.50	1976
45.00	After 1976

At the option of the record holder, shares of Series A \$2 Cumulative Convertible Preferred Stock shall be convertible into shares of Ordinary Voting Common Stock at the rate of 1½ shares of Ordinary Voting Common Stock for each share of Series A \$2 Cumulative Convertible Preferred Stock subject to adjustment for dividends, stock splits and other conditions resulting in a change in the capitalization of the Company. No fractional shares shall be issued.

In the event of subsequent issues of Preference Stock as authorized, rights and preferences will conform to requirements set out in Appendix A, Proxy Statement, Addenda.

CASH DIVIDENDS

The Company has paid quarterly dividends on its Common Stock on an uninterrupted basis since 1937. During the past ten years, cash dividends have been paid as follows:

Year Ended December 31	Aggregate Amount	Year Ended December 31	Aggregate Amount
1958	\$ 974,910	1963	\$1,255,692
1959	968,435	1964	1,627,430
1960	1,156,307	1965	1,672,381
1961	1,214,147	1966	2,362,829
1962	1,518,866	1967	2,883,058
		1968 (1)	2,226,825

(1) Three quarterly payments

Since December 9, 1966, the date of the Harshaw Chemical Company merger, the Company has paid quarterly dividends on its Series A \$2 Cumulative Preferred Stock as follows:

Year	Aggregate Amount
1966 (1)	\$ 393,697
1967	1,526,638
1968 (2)	1,088,870

- (1) One quarterly payment
(2) Three quarterly payments

The following tabulation sets forth the declaration, record and payment dates and per share amount of cash dividends on the capital stock for the year 1958 to date:

Declaration Date	Record Date	Payment Date	Amount Per Share			
			Common Stock	Convertible Voting (1)	Ordinary Voting (2)	Series A \$2 Preferred
2/21/58	2/22/58	3/14/58	25¢	0	0	0
5/19/58	6/ 2/58	6/16/58	25¢	0	0	0
8/ 4/58	9/ 2/58	9/15/58	25¢	0	0	0
11/21/58	12/ 1/58	12/15/58	25¢	0	0	0
2/20/59	3/ 2/59	3/16/59	25¢	0	0	0
5/12/59	6/ 1/59	6/15/59	25¢	0	0	0
6/19/59	9/ 1/59	9/15/59	25¢	0	0	0
11/20/59	12/ 1/59	12/15/59	25¢	0	0	0
2/18/60 (3)	3/ 1/60	3/15/60	25¢ (3)	0	0	0
5/20/60	6/ 1/60	6/15/60	0	10¢	10¢	0
8/15/60	9/ 1/60	9/15/60	0	10¢	10¢	0
11/18/60	12/ 1/60	12/15/60	0	10¢	10¢	0
2/16/61	3/ 1/61	3/15/61	0	10¢	10¢	0
5/19/61	6/ 1/61	6/15/61	0	10¢	10¢	0
8/17/61	9/ 1/61	9/15/61	0	10¢	10¢	0
11/14/61	12/ 1/61	12/15/61	0	10¢	10¢	0
2/16/62	3/ 1/62	3/15/62	0	10¢	10¢	0
5/18/62	6/ 1/62	6/15/62	0	10¢	10¢	0
8/17/62	8/31/62	9/14/62	0	10¢	10¢	0
11/19/62	11/30/62	12/14/62	0	10¢	10¢	0
2/11/63	3/ 1/63	3/15/63	0	10¢	10¢	0
4/19/63	5/31/63	6/14/63	0	10¢	10¢	0
5/24/63	8/30/63	9/13/63	0	10¢	10¢	0
11/15/63	11/29/63	12/13/63	0	10¢	10¢	0
2/20/64	2/28/64	3/13/64	0	10¢	10¢	0
4/16/64	5/ 1/64	5/15/64	0	10¢	10¢	0
6/24/64	7/17/64	7/31/64	0	10¢	10¢	0
9/23/64	10/16/64	10/30/64	0	10¢	10¢	0
12/15/64	1/15/65	1/29/65	0	10¢	10¢	0
3/24/65	4/15/65	4/30/65	0	10¢	10¢	0
6/26/65	7/16/65	7/30/65	0	10¢	10¢	0
9/22/65	10/15/65	10/29/65	0	15¢	15¢	0
12/ 1/65	1/17/66	1/31/66	0	15¢	15¢	0
3/21/66	4/15/66	4/29/66	0	15¢	15¢	0
5/10/66	7/15/66	7/29/66	0	15¢	22.5¢	0
5/10/66	10/17/66	10/31/66	0	15¢	37.5¢	0
12/ 5/66	12/ 9/66	12/10/66	0	0	0	50¢
1/ 6/67	1/27/67	2/10/67	0	15¢	22.5¢	0
1/ 6/67	2/24/67	3/10/67	0	0	0	50¢
3/16/67	4/28/67	5/10/67	0	15¢	22.5¢	0
4/26/67	5/26/67	6/12/67	0	0	0	50¢
6/28/67	7/21/67	8/10/67	0	15¢	22.5¢	0
6/28/67	8/25/67	9/11/67	0	0	0	50¢
10/ 3/67	10/20/67	11/10/67	0	15¢	22.5¢	0
11/ 8/67	11/24/67	12/11/67	0	0	0	50¢
1/18/68	2/16/68	3/11/68	0	15¢	22.5¢	50¢
4/17/68	5/17/68	6/19/68	0	15¢	22.5¢	50¢
7/10/68	8/23/68	9/10/68	0	15¢	22.5¢	50¢

- (1) Class A Common Stock prior to May 10, 1966.
(2) Class B Common Stock prior to May 10, 1966.
(3) Previously issued Common Stock recalled and one share of Class A and 2 shares of Class B issued in exchange.

STOCK DIVIDENDS

The following tabulation sets forth the declaration, record, and payment dates, the per cent, number of shares issued, and amounts charged against earned surplus with respect to stock dividends paid for 1960 on the Common Stock and for the year 1962, 1963, 1964, 1965 on the Class A and Class B Common Stock (Payable

in Class B Common Stock) and for 1966, payable on the Convertible Voting and Ordinary Voting Common Stock (payable in Ordinary Voting Common Stock):

Declaration Date	Record Date	Payment Date	Per Cent Outstanding Stock	No. of Shares	Amount Charged Against Earned Surplus	
					Per Share (1)	Aggregate
3/ 2/60	4/ 1/60	5/16/60	21 %	209,766	\$20.00	\$4,195,320
11/19/62	11/30/62	12/14/62	2 %	64,195	28.56	1,833,409
5/24/63	10/ 1/63	10/15/63	3 %	98,218	35.31	3,468,078
4/16/64	7/31/64	8/14/64	3 %	101,166	30.81	3,116,924
6/25/65	7/30/65	8/20/65	3 %	103,328	31.00	3,230,198 (2)
5/10/66	9/16/66	9/30/66	1 %	35,213	28.75	1,025,723 (3)

- (1) Determined by market value on declaration date.
- (2) Includes cash in lieu of fractions amounting to \$27,030
- (3) Includes cash in lieu of fractions amounting to \$13,349

RECORD OF PROPERTIES

The Oil and Gas Division of Kewanee Oil Company operates a total of 2,695 oil wells, 580 gas wells and 1,428 service wells of various types in the United States. These wells are located in Arkansas, California, Illinois, Kansas, Louisiana, Nebraska, New Mexico, North Dakota, Ohio, Oklahoma, Pennsylvania, Texas, West Virginia, and Wyoming. The producing oil and/or gas properties encompass an area of some 155,000 acres. In addition the Company has working interests of varying degrees in about 220,000 acres of oil and/or gas producing properties that are non-operated. Also, the Company has numerous producing royalties, overriding royalties and oil payment interests that will generate about \$1,200,000 of income during the year 1968. Oil production from all the properties located in the United States during the year 1968 is projected to be 6,600,000 barrels which is expected to increase as the offshore Louisiana leases become more fully developed. Gas production will approximate 30,000 MCF per day during the year 1968.

As of September 30, 1968 Kewanee owned 162,893 net acres of non-productive oil and gas leases, mineral rights, royalties, etc. in the United States not including offshore acreage. This acreage is located in Illinois, Kansas, Louisiana, Montana, New Mexico, North Dakota, Oklahoma, Pennsylvania, Texas, West Virginia and Wyoming. In addition, the Company has an interest in 35,000 acres located in the offshore Louisiana area. Production has been developed on most of this acreage and the Company's interest varies from 10% to 15%. The Company also has a 10% interest in 11,520 undeveloped acres in the Santa Barbara Channel offshore from California.

In addition, Kewanee, through its subsidiaries, owns 286,437 net acres of oil and gas permits, leases, or reservations in the Provinces of Alberta, British Columbia, Saskatchewan, Manitoba, and in the Yukon and Northwest Territories, Canada. At the present time the Company operates four gas wells located on a total of 4,055 acres, all of which is in the Province of British Columbia. The Company also has working interests varying from 11% to 50% in three oil wells and two gas wells located on a total of 2,162 gross acres that are non-operated. Production attributable to the Company's net interest from all of the Canadian properties during the year 1968 will approximate 50 barrels of oil and 1,500 MCF per day.

The executive office of Kewanee is located at 40 Morris Avenue, Byrn Mawr, Pennsylvania, in a two-story brick building completed by Kewanee in 1960 with approximately 26,000 square feet of floor space, all used by Kewanee. Kewanee's oil and gas headquarters is located at 1401 South Boulder, Tulsa, Oklahoma, in a three-storey-brick and granite building completed in 1954 with approximately 35,000 square feet of floor space, all used by Kewanee. Approximately one-half of the oil and gas divisional, field operating and district offices are maintained in small industrial buildings of frame construction owned by Kewanee. The remaining offices in the field are in leased space generally under leases extending for more than one year.

The majority of the Company's drilling and all of its seismic work is done by independent contractors.

The chemical division's general offices and research laboratories are located at 1945 East 97th Street, Cleveland, Ohio, in a two-story stone and brick building situated on 4 acres of land. The building contains a total of approximately 141,600 square feet of floor space.

The following table summarizes the principal plant facilities of the chemical division and its subsidiaries and affiliates:

Location	Approximate Land Area (Acres)	Approximate Floor Space (Square Feet)
Cleveland, Ohio	58	398,000
Elyria, Ohio	17	410,500
Louisville, Kentucky	11	285,800
Gloucester City, New Jersey	14	153,500
Chicago, Illinois	2	39,200
Pennington, New Jersey	6	11,100
De Meern, Netherlands	8	25,000
Utrecht, Netherlands	1	35,000
Daventry, England	5	23,000
Limoges, France	20	220,000

Kewanee considers all of its plants and equipment to be in generally good condition and adequate for their present use. It is planned to construct a plant with 108,000 square feet of floor space for the Crystal-Solid State Division and a 38-acre tract has been purchased in the Cleveland area for that purpose.

Merchandise stocks are warehoused in rented space at 32 locations in 18 states and 2 foreign countries. Laboratory space for the Crystal-Solid State Division also is leased. Aggregate annual rentals for leased real and personal property are about \$300,000.

It is contemplated that the chemical division will form a Canadian subsidiary in 1969 for the merchandising of its industrial chemicals and plating compounds in Canada.

SUBSIDIARY COMPANIES

Name and Year Incorporated	Jurisdiction of Incorporation	Nature of Business	Percentage Owned By Company
Canadian Kewanee Limited—1957	Delaware	Petroleum	100%
Cankee Gas Company—1960	Delaware	Petroleum	100%
Gobles Oil and Gas Limited—1954	Dom. of Canada	Petroleum	100%
Double Eagle Corporation—1960	New Mexico	Water Sales	100%
Kewanee Overseas Oil Company—1960	Delaware	Petroleum	100%
Mathiasen's Tanker Industries, Inc.—1944	Delaware	Tanker Fleet	100%
McCall Drilling Company, Inc.—1964	Delaware	Dormant	100%
Sound Refining, Inc.—1967	Washington	Refining	100%
North Penn Gas Company	Pennsylvania	Gas Utility	57.22%
Hamner Electronics Co., Inc.—1954	New Jersey	Electronics	97.3% Common 90.1% Class B 93.7% Class C
Molechem, Inc.—1961	New Jersey	Chemicals	100%
Harshaw Chemical Limited—1956	Great Britain	Chemicals	100%
Harshaw Chemie N.V.—1960	Netherlands	Chemicals	100%
Harshaw Chemie Gmb. H.—1962	Federal Republic of Germany	Chemicals	100%
Harshaw Cabo & Cia, S.A.—1965	Colombia	Chemicals	95%
Harshaw Galvanotecnia, S.A.—1966	Spain	Chemicals	60%
Harshaw-Juarez S.A. de C.V.—1966	Mexico	Chemicals	50%
Harshaw-Poulenc-Coiffe, S.A.—1961	France	Chemicals	50%
Harshaw Quimica Ltda.—1967	Brazil	Chemicals	90%
Pan Aura Corporation—1962	Delaware	Medical Instruments	86%
Belle Chemical Company, Inc.—1968	Delaware	Dormant	100%
Harshaw Chemical Company—1967	New Jersey	Dormant	100%

LONG TERM OR FUNDED DEBT

The long term and funded debt of the Company at September 30, 1968 and its subsidiaries was as follows:

Title	Interest Rate	Date of Maturity	Amount Authorized and Issued	Amount Redeemed	Amount Outstanding(1)
20-Year 5% Debentures Due 1978, Sinking Fund Requirement of \$350,000 annually through August 15, 1977 (2)	5%	10/ 1/78	\$7,000,000	\$2,779,000	4,221,000
4½% Notes Payable—due in 5 annual installments of \$55,000 through 1970	4½%	7/26/70	275,000	165,000	110,000
6% Ship Mortgage Note of a subsidiary, payable in quarterly installments of principal and interest of \$76,180 (3)	6%	6/ 1/77	3,000,000	1,318,000	1,682,000
Notes Payable, bank-under credit agreement limiting maximum to \$1,800,000 (Secured by property rights, easements and pipelines of a subsidiary) (4)	6%	4/30/73	1,800,000	706,000	1,094,000
6½% Mortgage Loans	6½%	10/31/68	50,000	33,000	17,000
	6½%	3/ 4/72	350,000	203,000	147,000
	6½%	11/27/73	185,000	72,000	113,000
Installment and Equipment Purchases	6%	9/29/69	8,000	3,000	5,000
	6%	7/28/70	6,000	3,000	3,000
	6%	1/24/71	21,000	11,000	10,000
	6%	4/ 1/71	14,000	7,000	7,000
\$30,000,000 Revolving Credit Term Loan, Prime rate prior to 7/1/70; thereafter prime rate plus ¼%; payable in 20 equal quarterly installments commencing 10/1/70	Prime	7/ 1/75	14,000,000	0	14,000,000
Notes re: Asset Acquisitions	Various	1970 & 1971	136,000	0	136,000
Deferred Payment Notes of a Subsidiary (5)	7½%	6/15/77	104,000	0	104,000
					\$21,649,000

(1) The aggregate current portion of the indebtedness set forth above is \$646,000.

(2) The Indenture under which the twenty-year 5% Debentures due 1978 were issued restricts dividends declared subsequent to July 31, 1958 (other than stock dividends) to the sum of (a) consolidated net earnings

of the issuer subsequent to July 31, 1958 plus (b) \$2,000,000. Such dividends plus payments made subsequent to July 31, 1958 for the purchase, redemption or acquisition of shares of stock of the issuer cannot exceed the sum of (a) and (b) above plus the net proceeds received by the issuer subsequent to July 31, 1958 from the issuance, exchange or sale of shares. Notwithstanding such restrictions, a limited amount may be paid in satisfaction of any purchase or sinking fund requirements of preferred shares.

- (3) Prepayments aggregating \$340,000 have been made and it is expected that the obligation will be paid by June 1, 1976. The obligation is guaranteed by the Company.
- (4) The principal is payable monthly in the amounts of \$12,766, \$3,333 and \$3,800, respectively, plus interest. The amount in excess of \$1,300,000 is guaranteed by the Company.
- (5) Includes accrued interest of \$9,000.

STOCK OPTION PLANS

In February, 1960, the Company granted options with respect to 24,800 shares of its then issued Common Stock, \$10 Par Value, (prior to recapitalizations and stock dividends) to a total of thirty-two officers, directors and key employees. Options for 24,200 of these shares have been exercised, 550 have lapsed, and 1 option for a total of 50 shares (now 50 shares of Convertible Voting Common Stock and 131 shares of Ordinary Voting Common Stock) still is outstanding.

In April, 1964, the Company granted options for 5,750 (1) shares of its then issued Class A Common Stock and 13,642 shares of its then issued Class B Common Stock (prior to a recapitalization and stock dividends) to thirty-seven officers, directors and key employees, including twelve who received options under the earlier plan. Thus far, options for 2,300 shares of Class A Common Stock and 5,457 shares of Class B Common Stock have been exercised. Options for 550 shares of Class A Common Stock and 1,305 shares of Class B Common Stock have lapsed. Options for 2,900 shares of Class A Common Stock and 6,880 shares of Class B Common Stock (now 2,900 shares of Convertible Voting Common Stock and 7,580 shares of Ordinary Voting Common Stock) are now outstanding. The Class B Common Stock (now Ordinary Voting Common Stock) subject to options has increased by 700 shares as a result of stock dividends. The Company prior to the issuance of any further shares under these options will either furnish an opinion of counsel that such shares are not subject to registration under the U.S. Securities Act or registration will be effected.

Harshaw previously had granted options for a total of 51,500 shares of Common Stock to sixteen officers and key employees. Options for 2,000 of these shares have lapsed and options for 32,850 shares have been exercised.

- (1) The 550 lapsed shares of the original option of February, 1960, have been re-granted in this option of 5,750 shares.

LISTING ON OTHER EXCHANGES

The outstanding shares of the Ordinary Voting Common Stock and of the Series A \$2 Cumulative Convertible Preferred Stock are listed on the American Stock Exchange in the United States. In addition the shares of Ordinary Voting Common Stock and of the Series A \$2 Cumulative Convertible Preferred Stock issued or to be issued under options granted or to be granted under the Company's stock option plans are authorized for listing, upon official notice of issuance thereof, on said stock exchange. No other securities of the Company or its subsidiaries are listed on any exchange.

STATUS UNDER SECURITIES ACTS

The Company has never made any filings with or obtained registration, approval or qualification by the Ontario Securities Commission or any corresponding government body or authority in Canada. The Ordinary Voting Common Stock of the Company is registered under the United States Securities Exchange Act of 1934. A Registration Statement on Form 10 (No. 0-755) originally became effective on April 30, 1965.

OPINION OF COUNSEL

In connection with the filing on December 9, 1966 of Company's application for listing on the American Stock Exchange in the United States, Messrs. Schnader, Harrison, Segal & Lewis, Attorneys at Law, 1719 Packard Building, Philadelphia, Pennsylvania, 19102, rendered their opinion to the effect that prior to such listing registration of shares for which listing was requested, to-wit: 879,597 shares of Series A \$2 Cumulative Convertible Preferred Stock and 4,931,279 shares of Ordinary Voting Common Stock was not a prerequisite for listing due to the fact that such shares were exempt from registration under Rule 133 of the General Rules and Regulations issued under the Securities Act of 1933, as amended (the "Act") or under Sections 2 (3); 3 (a)(9), or 4 (2) of the "Act". They also noted that concurrently with the filing of the listing application the Company was filing an application with the U.S. Securities and Exchange Commission for the registration of its Common Stock on the American Stock Exchange under the provisions of Section 12 (b) of the Securities Exchange Act of 1934, as amended.

Messrs. Schnader, Harrison, Segal & Lewis also rendered their opinion as to the validity of the authorizations and issuance of the shares of Ordinary Voting Common Stock covered by the application for listing on the American Stock Exchange and registration under the Securities Act of 1933, as amended, or exemption from registration of shares issued or reserved for issuance.

The shares of Ordinary Voting Common Stock covered by this application for listing are, (except for changes in the number of such shares issued, outstanding, or repurchased) identical to those for which a listing was obtained on the American Stock Exchange, and the opinion of Messrs. Schnader, Harrison, Segal & Lewis is still valid with respect thereto.

Walter Perry Dornaus, Post Office Box 2239, Tulsa, Oklahoma, 74101, Chief Counsel for the Company, has rendered an opinion, a copy of which is attached hereto, confirming that the Company is properly and legally organized in accordance with the laws of the state of origin; that the securities listed have been duly and properly authorized and issued according to law; and that the securities to be listed are, or when issued will be, fully paid and non-assessable.

FISCAL YEAR AND ANNUAL MEETINGS

The Company's fiscal year ends on December 31. Pursuant to the Company's By-Laws, the regular Annual Meeting of Shareholders is held the second Tuesday of May of each year at its office in Bryn Mawr, Pennsylvania. The last Annual Meeting was held on May 14, 1968.

OFFICES OF THE COMPANY

The principal office of the Company is in the Kewanee Building, 40 Morris Avenue, Bryn Mawr, Pennsylvania, 19010. Principal operating offices are located at 1401 South Boulder, Tulsa, Oklahoma, 74101, and 1945 East 97th Street, Cleveland, Ohio, 44106. The Company or its subsidiaries also maintain offices in Calgary, Alberta; Roswell, New Mexico; Philadelphia, Pennsylvania; Tacoma, Washington; Princeton, New Jersey; Daventry, England; Frankfurt, West Germany; Madrid, Spain; Mexico City, Mexico; Limoges, France; Sao Paulo, Brazil; De Meern, Netherlands, and in various cities throughout the United States.

TRANSFER AGENTS AND REGISTRARS

The names and addresses of the transfer agents and registrars for the stock of the Company with respect to which the listing application pertains are as follows:

A. Ordinary Voting Common Stock

Transfer Agents

The Fidelity Bank, Philadelphia, Pennsylvania
Morgan Guaranty Trust Company of New York, New York

Registrars

The Fidelity Bank, Philadelphia, Pennsylvania
The Bank of New York, New York City

Transfer Agent and Registrar

The Canada Trust Company, Toronto, Ontario, Canada

TRANSFER FEE

No fee is charged on stock transfers other than the customary government stock transfer taxes.

AUDITORS

Independent certified public accountants for the Company are Main LaFrentz & Co., Philadelphia, Pennsylvania.

OFFICERS AND DIRECTORS

The following is a list of the officers and directors of the Company, their respective office addresses, their present positions with the Company and their present principal occupations:

<u>Name</u>	<u>Address</u>	<u>Position With The Company and Principal Occupation</u>
James T. Bolan	40 Morris Avenue Bryn Mawr, Pa. 19010	Executive Vice President and Director
J. E. Briley, Jr.	40 Morris Avenue Bryn Mawr, Pa. 19010	Secretary
J. A. Carlson	1618 Sweet Briar Road Gladwyne, Pa. 19035	Director. Retired. Formerly Vice President, Kewanee Oil Company
W. Perry Dornaus	1401 South Boulder Tulsa, Oklahoma 74101	Assistant Secretary
G. Morris Dorrance, Jr.	Philadelphia National Bank Philadelphia, Pa. 19010	Director. President, Philadelphia National Bank
Charles R. Fellows	1401 South Boulder Tulsa, Oklahoma 74101	Assistant Secretary
J. M. Harbison	1401 South Boulder Tulsa, Oklahoma 74011	Vice President and Director
D. E. Hockaday, Jr.	40 Morris Avenue Bryn Mawr, Pa. 19010	Vice President
R. A. Lucht	1945 East 97th Street Cleveland, Ohio 44106	Vice President and Director
Thomas G. Meeker	Packard Building Philadelphia, Pa. 19102	Director. Partner Schnader, Harrison, Segal & Lewis
Robert E. Mooney	1945 East 97th Street Cleveland, Ohio 44106	Assistant Secretary

<u>Name</u>	<u>Address</u>	<u>Position With The Company and Principal Occupation</u>
Richard K. Page	40 Morris Avenue Bryn Mawr, Pa. 19010	Vice President and Treasurer. Director
E. C. Ray	1945 East 97th Street Cleveland, Ohio 44106	Vice President and Director
Edgar Scott	2730 Fidelity-Philadelphia Trust Building Philadelphia, Pa. 19101	Director. Partner Montgomery, Scott & Co.
William Wikoff Smith	40 Morris Avenue Bryn Mawr, Pa. 19010	President and Director
R. B. Werner	1945 East 97th Street Cleveland, Ohio 44106	Assistant Treasurer
R. J. Williamson	40 Morris Avenue Bryn Mawr, Pa. 19010	Assistant Treasurer

All of the persons listed as officers of the Company have been employed by the Company or with Harshaw in executive positions during the past five years except for Mr. James T. Bolan who was elected to his position effective August 1, 1966, and Robert E. Mooney, who was elected to his position in November, 1968. Prior to August 1, 1966, Mr. Bolan had been a director of the Company and was also President of Natco Corporation, Pittsburgh, Pennsylvania. Mr. Mooney has been employed as an attorney for the Company for the past year. For a period in excess of five years prior thereto he was employed as an attorney for Hupp Corporation, Cleveland, Ohio. All other directors listed have had as their principal occupation during the last five years that shown opposite their name.

DISTRIBUTION OF CAPITAL STOCK AS OF SEPTEMBER 30, 1968

See Appendix "A"

FINANCIAL STATEMENTS

The following Financial Statements are attached hereto and made a part hereof:

Appendix "B" Consolidated Balance Sheet as of September 30, 1968 and 1967

Appendix "C" Statement of Consolidated Income for the nine months ended September 30, 1968 and September 30, 1967

Appendix "D" Five year financial review from January 1, 1963 to December 31, 1967.

ADDENDA

On December 29, 1966, subsequent to consummation of the merger with The Harshaw Chemical Company, the listing application of Kewanee was approved by the American Stock Exchange. In connection with that listing the firm of Schnader, Harrison, Segal & Lewis, Attorneys, Philadelphia, Pennsylvania, confirmed that all filings and listing were in compliance with the requirements of the Federal (U.S.) Securities Laws and any other laws which in any way pertained thereto. A copy of the Proxy Statement dated October 24, 1966, issued by Kewanee and Harshaw prior to the merger, is attached as a supplement to this filing.

CERTIFICATE

Pursuant to a resolution duly passed by its Board of Directors, the applicant Company hereby applies for listing the above-mentioned securities on the Toronto Stock Exchange and the undersigned officers hereby certify that the statements and representations made in this application and the documents submitted in support thereof are true and correct.

KEWANEE OIL COMPANY

By

James T. Bolan
Executive Vice President

W. Perry Dornaus
Assistant Secretary



DISTRIBUTION OF ORDINARY COMMON STOCK AS OF SEPTEMBER 30, 1968

<u>Number</u>		<u>Shares</u>
1,337	Holders of 1 — 100 share lots	64,718
377	" " 101 — 200 " "	56,258
161	" " 201 — 300 " "	40,937
1	" " 301 — 400 " "	318
—	" " 401 — 500 " "	—
240	" " 501 — 1000 " "	135,549
211	" " 1001 — up " "	2,682,809
1	" " Treasury " "	129,545
<u>2,328</u>	Shareholders	<u>3,110,134</u>
	Total Shares	

FINANCIAL STATEMENTS

KEWANEE OIL COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

DECEMBER 31,
(United States Dollars)

	1967	1966
A S S E T S		
CURRENT ASSETS:		
Cash.....	\$ 5,948,000	\$ 4,315,000
Marketable securities, at cost—market value, \$445,000 and \$420,000.....	329,000	334,000
Notes and accounts receivable, less reserves, \$71,000 and \$70,000.....	15,512,000	16,390,000
Inventories, at lower of cost (principally current standards) or market....	20,090,000	19,413,000
Other current assets.....	806,000	654,000
Total current assets.....	42,685,000	41,106,000
INVESTMENTS AND OTHER ASSETS, AT COST:		
Unconsolidated subsidiaries and 50% owned company—note 2.....	8,042,000	7,776,000
Receivables, advances, joint ventures, and other investments.....	2,368,000	6,171,000
Other assets.....	1,095,000	778,000
	11,505,000	14,725,000
PROPERTY, PLANT AND EQUIPMENT, AT COST—note 3:		
Oil and Gas Division, less accumulated depreciation and amortization, \$105,620,000 and \$100,732,000.....	63,226,000	54,025,000
Chemical Division, less accumulated depreciation and amortization, \$21,935,000 and \$19,972,000.....	16,798,000	16,103,000
	80,024,000	70,128,000
Goodwill—note 1.....	2,595,000	2,628,000
	<u>\$136,809,000</u>	<u>\$128,587,000</u>
L I A B I L I T I E S		
CURRENT LIABILITIES:		
Current maturities of long-term debt—note 5.....	\$ 949,000	\$ 1,159,000
Notes payable, banks.....	323,000	685,000
Accounts payable and accrued expenses.....	10,502,000	9,017,000
Accrued income taxes—note 4.....	1,431,000	1,819,000
Other accrued taxes.....	537,000	915,000
Liability under agreement to purchase company shares.....	—	1,008,000
Total current liabilities.....	13,742,000	14,603,000
Long-term debt, less current maturities—note 5.....	16,559,000	8,862,000
Sale of future production.....	965,000	1,874,000
Deferred United States income taxes payable—note 4.....	33,5000	383,000
Reserve for deferred compensation—note 8.....	1,266,000	1,295,000
Contingencies—note 4		
Shareholders' equity:		
Capital stock—notes 6, 7 and 8:		
Preferred stock—liquidating value of \$22,621,000 and \$22,935,000 in excess of stated value.....	11,991,000	12,209,000
Common stock.....	36,213,000	36,118,000
Total capital stock.....	48,204,000	48,327,000
Additional paid-in capital.....	10,721,000	10,882,000
Retained earnings.....	50,365,000	47,797,000
Less treasury shares, at cost.....	(5,348,000)	(5,436,000)
Total shareholders' equity.....	103,942,000	101,570,000
	<u>\$136,809,000</u>	<u>\$128,587,000</u>

See notes to consolidated financial statements.

KEWANEE OIL COMPANY AND SUBSIDIARIES
STATEMENT OF CONSOLIDATED EARNINGS—note 1
(United States Dollars)

	Year Ended December 31,			
	(a) 1963	(a) 1964	1965	1966
				1967
REVENUES:				
Sales and other operating revenues.....	\$101,808,000	\$ 95,242,000	\$101,989,000	\$115,421,000
Dividends, interest and other income.....	357,000	1,060,000	1,291,000	2,139,000
Equity in undistributed earnings (losses) of unconsolidated subsidiaries and 50% owned company—note 2.....	19,000	(36,000)	(230,000)	195,000
	<u>102,184,000</u>	<u>96,266,000</u>	<u>103,050,000</u>	<u>117,755,000</u>
				<u>112,280,000</u>
COSTS:				
Manufacturing and production.....	72,380,000	66,357,000	71,029,000	82,831,000
Selling, general and administrative.....	12,983,000	11,115,000	11,397,000	13,692,000
Depletion, depreciation and amortization—note 3.....	7,746,000	8,661,000	8,301,000	7,857,000
Interest.....	518,000	487,000	501,000	833,000
	<u>93,627,000</u>	<u>86,620,000</u>	<u>91,228,000</u>	<u>105,213,000</u>
	<u>8,557,000</u>	<u>9,646,000</u>	<u>11,822,000</u>	<u>12,542,000</u>
Earnings before extraordinary items and income taxes.....				
INCOME TAXES—note 4:				
Current.....	2,213,000	2,348,000	3,595,000	3,082,000
Deferred.....	338,000	165,000	139,000	454,000
Adjustment of prior years' provisions.....	—	(164,000)	—	—
	<u>2,551,000</u>	<u>2,349,000</u>	<u>3,734,000</u>	<u>3,536,000</u>
	<u>6,006,000</u>	<u>7,297,000</u>	<u>8,088,000</u>	<u>9,006,000</u>
	<u>412,000</u>	<u>489,000</u>	<u>680,000</u>	<u>672,000</u>
	<u>5,594,000</u>	<u>6,808,000</u>	<u>7,408,000</u>	<u>8,334,000</u>
Elimination of earnings applicable to Harshaw shares purchased.....				
Earnings before extraordinary items.....				
EXTRAORDINARY ITEMS, LESS RELATED TAX EFFECT—note 9:				
Gain on sales of subsidiaries and major properties.....	338,000	106,000	5,820,000	—
Operating income (loss) on discontinued operations.....	12,000	(181,000)	(215,000)	—
	<u>350,000</u>	<u>(75,000)</u>	<u>5,605,000</u>	<u>—</u>
	<u>\$ 5,944,000</u>	<u>\$ 6,733,000</u>	<u>\$ 13,013,000</u>	<u>\$ 8,334,000</u>
				<u>\$ 7,368,000</u>
NET EARNINGS:				
Per share earnings applicable to common stock (b):				
Earnings before extraordinary items.....	\$1.16	\$1.53	\$1.70	\$2.01
Extraordinary items, net of tax.....	.10	(.02)	1.65	—
Net earnings applicable to common stock.....	<u>\$1.26</u>	<u>\$1.51</u>	<u>\$3.35</u>	<u>\$2.01</u>
Pro forma earnings per share of common stock reflecting conversion:				
Earnings before extraordinary items.....	\$1.20	\$1.48	\$1.62	\$1.84
Extraordinary items, net of tax.....	.08	(.02)	1.23	—
Pro forma net earnings applicable to common stock.....	<u>\$1.28</u>	<u>\$1.46</u>	<u>\$2.85</u>	<u>\$1.84</u>
				<u>\$1.72</u>

(a) Restated to give effect to adjustments arising from tax settlements.

(b) Share calculations are based on average common shares outstanding adjusted for subsequent stock dividends; pro forma net earnings per share also include as outstanding shares issuable at the 1.5 conversion ratio for the Series A Convertible Preferred Shares.

See notes to consolidated financial statements.

KEWANEE OIL COMPANY AND SUBSIDIARIES
STATEMENT OF CONSOLIDATED RETAINED EARNINGS

(United States Dollars)

	Year Ended December 31,			
	(a) 1963	(a) 1964	1965	1966
				1967
BALANCE AT BEGINNING OF PERIOD:				
Kewanee Oil Company.....	\$22,448,000	\$22,288,000	\$22,637,000	\$28,472,000
The Harshaw Chemical Company.....	—	—	—	21,441,000
Net earnings, pooled.....	5,944,000	6,733,000	13,013,000	8,334,000
Harshaw earnings included in the pooling adjustments, 1966.....	(1,380,000)	(1,639,000)	(2,275,000)	—
POOLING ADJUSTMENTS, etc.—note 1:				
Retirement of Harshaw treasury shares and shares purchased.....	—	—	—	(5,275,000)
Issuance of new Series A Convertible Preferred.....	—	—	—	(1,112,000)
Future tax benefits applicable to Harshaw deferred compensation plan.....	—	—	—	621,000
RETIREMENT OF SHARES—note 6:				
Ordinary Common.....	—	—	—	(99,000)
Series A Convertible Preferred.....	—	—	—	(290,000)
DIVIDENDS:				
Share dividend on common:				
1966—1 %; 35,213 Class B shares issued (includes cash—\$13,000).....	—	—	—	(1,025,000)
1965—3 %; 103,328 Class B shares issued (includes cash—\$27,000).....	—	—	(3,230,000)	—
1964—3 %; 101,166 Class B shares issued.....	—	(3,117,000)	—	—
1963—3 %; 98,218 Class B shares issued.....	(3,468,000)	—	—	—
Cash dividends:				
Series A Convertible Preferred: \$.50 and \$2.00.....	—	—	—	(393,000)
Convertible Common, including former Class A shares:				
\$.40, \$.50, \$.50, \$.45 and \$.60.....	(400,000)	(500,000)	(470,000)	(317,000)
Ordinary Common, including former Class B shares:				
\$.40, \$.50, \$.50, \$.75 and \$.90.....	(856,000)	(1,128,000)	(1,203,000)	(2,046,000)
Paid by Harshaw in 1966 prior to merger.....	—	—	—	(903,000)
Balance at end of period (effect of pooling of interests reflected in 1966).....	\$22,288,000	\$22,637,000	\$28,472,000	\$47,797,000
(a) Restated to give effect to adjustments arising from tax settlements.				\$50,365,000
See notes to consolidated financial statements.				

KEWANEE OIL COMPANY AND SUBSIDIARIES
STATEMENT OF CONSOLIDATED ADDITIONAL PAID-IN CAPITAL
(United States Dollars)

	Year Ended December 31,				
	1963	1964	1965	1966	1967
BALANCE AT BEGINNING OF PERIOD:					
Kewanee Oil Company.....	\$ 3,377,000	\$ 5,941,000	\$ 8,195,000	\$10,418,000	\$10,882,000
The Harshaw Chemical Company.....	—	—	—	9,452,000	—
Credits arising from employees' stock options, stock bonus, etc.—note 7.....	78,000	149,000	53,000	65,000	154,000
Shares issued to acquire remaining interest in subsidiary.....	—	—	—	72,000	—
POOLING ADJUSTMENTS, etc.—note 1:					
Retirement of Harshaw treasury shares and shares purchased.....	—	—	—	(2,508,000)	—
Issuance of Series A Convertible Preferred.....	—	—	—	(7,027,000)	—
Merger expenses.....	—	—	—	(196,000)	(70,000)
RETIREMENT OF SHARES—note 6:					
Ordinary Common.....	—	—	—	—	(188,000)
Series A Convertible Preferred.....	—	—	—	—	(57,000)
STOCK DIVIDEND ON COMMON, less expense of issuance:					
1966—1 %.....	—	—	—	606,000	—
1965—3 %.....	—	—	2,170,000	—	—
1964—3 %.....	—	2,105,000	—	—	—
1963—3 %.....	2,486,000	—	—	—	—
Balance at end of period (effect of pooling reflected in 1966).....	<u>\$ 5,941,000</u>	<u>\$ 8,195,000</u>	<u>\$10,418,000</u>	<u>\$10,882,000</u>	<u>\$10,721,000</u>

See notes to consolidated financial statements.

KEWANEE OIL COMPANY AND SUBSIDIARIES

CONSOLIDATED SOURCE AND DISPOSITION OF FUNDS

YEARS ENDED DECEMBER 31,
(United States Dollars)

	1967	1966
SOURCE OF FUNDS:		
From operations:		
Net earnings.....	\$ 7,368,000	\$ 8,334,000
Depletion, depreciation and amortization.....	7,853,000	7,857,000
Current income from 1965 production payment sale.....	(1,338,000)	(1,403,000)
Property abandonments, deferred income taxes and other.....	1,458,000	1,164,000
Earnings applicable to The Harshaw Chemical Company shares purchased.....	—	672,000
	<u>15,341,000</u>	<u>16,624,000</u>
Long-term debt financing.....	9,141,000	—
Realization of long-term notes receivable.....	3,073,000	3,011,000
Property and equipment sold.....	234,000	1,959,000
Utilization of working capital.....	—	6,455,000
Other.....	138,000	—
	<u>\$27,927,000</u>	<u>\$28,049,000</u>
DISPOSITION OF FUNDS:		
Capital expenditures.....	\$18,610,000	\$11,947,000
Dividends to shareholders.....	4,411,000	3,672,000
Long-term debt retirement.....	1,443,000	780,000
Company stock purchases.....	1,023,000	120,000
Purchase of The Harshaw Chemical Company shares.....	—	11,226,000
Accumulation of working capital.....	2,440,000	—
Other.....	—	304,000
	<u>\$27,927,000</u>	<u>\$28,049,000</u>

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1967

1. POOLING OF INTERESTS:

Effective December 9, 1966, The Harshaw Chemical Company (Harshaw) was merged into Kewanee Oil Company. Harshaw shareholders received on a share for share basis, Kewanee Series A Convertible Preferred stock. The transaction has been treated as a pooling of interests to the extent of the shares exchanged (77%), and as a purchase (23%), as to the shares purchased by Kewanee. The excess, \$2,572,000, of the cost of the Harshaw shares purchased over the underlying net equity of such shares has been charged to goodwill.

Consolidated earnings include the operations of Harshaw for the years ended September 30, 1963, 1964 and 1965 and the year ended December 31, 1966, on a pooling of interests basis, after elimination of earnings applicable to Harshaw shares purchased by Kewanee. Operations of Harshaw for the three months ended December 31, 1965, excluded from the income statement and treated as a direct credit to retained earnings were as follows:

Revenues	\$18,082,000
Costs and expenses	<u>17,596,000</u>
Net earnings	<u>\$ 486,000</u>

2. PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. During 1967 the Company acquired from its co-venturers the minority interest in a refinery project. Operations of consolidated foreign subsidiaries for the year 1967 are summarized as follows: Chemical Division—net sales \$4,087,000; income taxes—\$137,000; net income—\$89,000, after a currency devaluation loss of \$51,000; Oil and Gas Division—foreign exploration costs, principally Canada, totaled \$948,000.

A 50% owned company and unconsolidated subsidiaries, other than North Penn Gas Company, are stated at cost, net of amortization of cost in excess of equity acquired, \$201,000, and equity in undistributed net loss since acquisition, \$789,000, including \$341,000 incurred in 1967. The principal unconsolidated subsidiary, North Penn Gas Company, a regulated public utility, is carried at cost, \$4,658,000, plus equity in undistributed earnings of \$355,000, including \$151,000 realized in 1967. Dividends received from North Penn during 1967 of \$154,000 were included in earnings.

Foreign currencies have been translated into United States dollars at appropriate exchange rates. Loss resulting from foreign currency devaluation has been recognized and charged to current earnings.

3. PROPERTY, PLANT AND EQUIPMENT:

Property is stated at cost less accumulated depreciation, depletion and amortization.

The depreciation policy for plant related to manufacturing operations is to provide amounts for depreciation based upon annual rates calculated on a straight-line method to amortize the cost of the various classes of depreciable assets over their estimated useful life.

Certain properties acquired subsequent to January 1, 1954 have been depreciated on the sum-of-the-years digits method; other property is generally depreciated on the straight-line method. The range of rates used in computing depreciation is as follows:

Description	Range of Rates
Buildings.....	2 $\frac{1}{2}$ % - 10%
Producing properties.....	Unit of production
Manufacturing machinery and equipment.....	6%
Other buildings, plant and equipment.....	5% - 20%
Vessels.....	6 $\frac{3}{4}$ %

Undeveloped leases and related geological and geophysical expenses are valued at cost which is charged to expense when leases are surrendered or otherwise disposed. Lease delay rentals are expensed when paid.

Producing property acquisitions subject to retained oil payments have been recorded by use of the "net accounting" method: initial cash costs have been capitalized and only the net portion of production accruing has been reported in income. All lifting costs have been charged to expense.

All expenditures for maintenance, repairs, and minor renewals are charged to operations. Expenditures for betterments, major renewals and replacements related to oil and gas property are capitalized and the net carrying value of such property replaced is charged to operations. The net value of producing property sold or abandoned is removed from the appropriate property account and the related gain or loss is charged or credited to income. Anticipated costs of ship overhauls are charged over estimated remaining time prior to ship's entering dry dock. The general policy with respect to manufacturing property retirements or disposals has been to relieve the property accounts and related allowances for depreciation and amortization at amounts included in such accounts, and profit or loss resulting therefrom has been included in income.

Patent costs have been charged to expense.

4. FEDERAL INCOME TAXES:

An examination by the Internal Revenue Service of Kewanee's income tax returns for 1959 through 1964 has resulted in tax assessments and proposed tax assessments approximating \$1,630,000. The Company and its counsel are of the opinion that valid defenses exist. The tax assessed is being contested in the Tax Court of the United States; accordingly, recognition has not been given to the disputed amounts in the financial statements.

At December 31, 1967, deferred United States income taxes, \$335,000, consist of \$1,122,000 provided with respect to accelerated depreciation rates employed for tax purposes by the Chemical Division, net of deferred or prepaid taxes related to deferred compensation, \$607,000, and to the sale of future oil production, \$180,000.

Investment credits, \$431,000 and \$120,000 in 1967 and 1966, respectively, are taken directly to income as a reduction of the current tax provision.

5. LONG-TERM DEBT:

Debt maturing after one year is summarized below:

COMPANY	MATURITY	
\$20,000,000 Revolving credit term loan, 6% prior to September 1, 1969, thereafter prime rate plus $\frac{1}{4}$ %, payable in 20 equal quarterly installments commencing December 1, 1969.....	September 1, 1974	\$ 9,000,000
20 year 5% Debentures, Sinking Fund requirement of \$350,000 annually through August 15, 1977.....	October 1, 1978	4,536,000
Notes re: asset acquisitions—various interest rates.....	1970 and 1971	136,000
4 $\frac{1}{2}$ % Notes payable in annual installments of \$55,000 through 1970...	July 26, 1970	110,000
SUBSIDIARIES		
6% Ship mortgage note payable in quarterly installments of principal and interest of \$76,180; guaranteed by the parent.....	June 1, 1977	1,630,000
6% Notes payable, bank—under credit agreement, limiting maximum to \$1,800,000 (secured by property rights, easements and pipeline of the subsidiary) payable in monthly amounts of \$19,899 plus interest.....	April 30, 1973	1,035,000
Various contract agreements.....	1969 and thereafter	112,000
		<u>\$16,559,000</u>

Annual amounts maturing during the four years following 1968 are \$1,358,000, \$2,719,000, \$2,663,000 and \$2,642,000.

Restrictive covenants require the maintenance of consolidated net working capital of not less than \$15,000,000, and limit subsidiary company borrowings. At December 31, 1967, retained earnings of \$12,114,000 were restricted relative to the payment of dividends or other distributions.

6. CAPITAL SHARES:

Capital shares at December 31, 1967 and 1966, were as follows:

	<u>Authorized</u>	<u>Issued at December 31,</u>	
		<u>1967</u>	<u>1966</u>
Preference stock, without par value:			
Series A Convertible Preferred, stated value \$15 per share..	1,485,761	799,428	813,947
Common stock, par value \$10 per share:			
Convertible Common.....	1,000,000	621,785	636,447
Ordinary Common.....	6,000,000	2,999,512	2,975,436

The Series A Convertible Preferred stock has a liquidation preference of \$45 per share and is redeemable at the option of the Company at prices ranging from \$47.50 to \$45.50 per share between 1972 and 1976, and at \$45 per share thereafter. The preferred shares have one vote per share and are convertible into one and one-half Ordinary Common shares.

Each share of Ordinary Common stock is entitled to one vote and to receive cash dividends in an amount not less than one and one-half times the cash dividends paid on each share of Convertible Common stock. Each share of Convertible Common stock is convertible into Ordinary Common on a share for share basis and is entitled to ten votes per share. All Common shares participate equally, subsequent to the Preferred shares, in event of liquidation.

Shareholders holding directly or beneficially 11,944 shares of Ordinary Common stock objected to the merger, consummated in December of 1966, of The Harshaw Chemical Company into the Company and received payment for the value of their stock in 1967. The shares acquired were cancelled and assumed the status of authorized but unissued shares. Acquisition cost in excess of par value was charged to additional paid-in capital, \$188,000, and to retained earnings, \$99,000.

Holders of 14,662 and 14,239 shares of Convertible Common and Series A Convertible Preferred, respectively, elected to convert such shares into 14,662 and 21,358 shares of Ordinary Common shares. The converted preference shares were cancelled.

The Company purchased and cancelled a total of 12,630 shares of Series A Convertible Preferred which reverted to the status of authorized and unissued shares. Cost in excess of stated value aggregating \$347,000, was charged to additional paid-in capital, \$57,000, and to retained earnings, \$290,000.

At December 31, 1967, 30,400 shares of authorized but unissued Series A Convertible Preferred were reserved for issuance upon exercise of employee stock options. In addition, 1,820,927 shares of authorized but unissued Ordinary Common were reserved: 1,199,142 shares for conversion of the Series A Convertible Preferred and 621,785 shares for the conversion of the Convertible Common.

Treasury shares held at December 31, 1967 and 1966, were as follows:

	<u>Shares Held</u>	
	<u>1967</u>	<u>1966</u>
Series A Convertible Preferred.....	45,402	49,453
Convertible Common.....	63,628	64,528
Ordinary Common.....	147,912	149,023

Treasury shares reserved at December 31, 1967, were as follows:

	<u>Shares Reserved</u>	
	<u>1967</u>	<u>1966</u>
Series A Convertible Preferred—deferred compensation plan.....	45,402	49,453
Convertible Common—stock options.....	5,550	6,450
Ordinary Common—stock options.....	14,516	16,867
Ordinary Common—deferred compensation plan.....	2,000	—

7. STOCK OPTIONS:

Data with respect to employee stock option plans, adjusted for a subsequent stock split and stock dividends, follow:

	<u>Shares</u>		
	<u>Ordinary Common</u>	<u>Convertible Common</u>	<u>Series A Convertible Preferred</u>
Outstanding, beginning of year.....	16,606	6,350	42,750
Options lapsed.....	(1,179)	(450)	—
Options exercised.....	(2,351)	(900)	(12,350)
Outstanding, end of year.....	13,076	5,000	30,400
Options exercisable at December 31, 1967.....	13,076	5,000	17,275

Outstanding options in respect of Convertible Common and Ordinary Common shares, granted in 1959 (1,626 shares) at 95% of market value and in 1964 (16,450 shares) at 100% of market value, are exercisable at average prices of \$14.87 and \$27.32 per share, respectively. Outstanding options (originally granted by The Harshaw Chemical Company), in respect of the Series A Convertible Preferred shares were granted for 28,650 shares in 1964 and for 1,000 and 750 shares in 1965, such options being exercisable at prices representing 100% of market values on the dates of grant, \$24.75, \$32.25 and \$31.75, respectively.

Proceeds realized from sale of optioned shares in excess of the cost of Common treasury shares or in excess of stated value for unissued Series A Convertible Preferred have been credited to additional paid-in capital. No charges are made to earnings in connection with stock options.

8. EMPLOYEE PENSION AND PROFIT SHARING PLANS:

The Company and its subsidiaries have several pension plans covering substantially all employees. The actuarially computed values of vested benefits for all plans as of December 31, 1967, were less than the applicable pension funds. Prior service costs under the Oil and Gas Division plans are substantially funded. Costs in connection with the Chemical Division's plans are determined on a level basis which does not individually account for prior service cost. The Company's policy is to fund cost accrued. Charges to earnings for 1967 and 1966 were \$1,256,000 and \$911,000, respectively.

In accordance with the Chemical Division profit sharing plan, periodic allocations are made to a deferred compensation reserve and charged to earnings, net of related tax effect. Amounts so provided have been contingently allocated to participants and primarily invested in shares of the company. Subsequent to a participant's retirement, distributions are made during a period not to exceed 10 years. At December 31, 1967, the liability under the deferred compensation plan aggregated \$1,266,000, consisting of \$91,000 cash, 45,402 shares of Series A Convertible Preferred, cost \$1,112,000, and 2,000 shares of Ordinary Common, cost \$63,000. The shares are held as reserved treasury shares.

9. EXTRAORDINARY ITEMS:

Substantially all Canadian oil property and equipment owned was sold during 1965 for approximately \$27,600,000. The net gain, less related taxes on sale, was \$5,820,000 which has been shown as an extraordinary item. Harshaw in 1964 disposed of an investment in a subsidiary company and in 1963 of the assets of its former Scientific Division; gains resulting therefrom less related taxes were \$106,000 and \$338,000, respectively. The operating income (loss) of discontinued operations pertain to the Canadian oil properties since it is believed that the operating results of the Harshaw properties did not have a material effect on net income.

OPINION OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We have examined the consolidated balance sheet of Kewanee Oil Company and subsidiaries as of December 31, 1967, and the related statements of consolidated earnings, retained earnings, additional paid-in capital and funds for the five years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. As to the operations of The Harshaw Chemical Company included in the statement of earnings for 1963, 1964 and 1965, on a pooling of interests basis (see note 1 of Notes to Consolidated Financial Statements), we were furnished with reports of other independent public accountants on their examination of the financial statements covering that company's operations for the three years ended September 30, 1965.

In our opinion, based on our examination and the reports of the other independent public accountants referred to above, such financial statements present fairly the consolidated financial position of Kewanee Oil Company and subsidiaries as of December 31, 1967, and the consolidated results of operations for the five years then ended, in conformity with generally accepted accounting principles applied on a consistent basis as explained in note 1.

MAIN LAFRENTZ & CO.

Philadelphia, Pennsylvania
March 1, 1968

KEWANEE OIL COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
SEPTEMBER 30
(United States Dollars)

A S S E T S	1968	1967
	(Unaudited)	
CURRENT ASSETS:		
Cash.....	\$ 6,732,000	\$ 6,448,000
Marketable securities, at cost—market values, \$2,494,000 and \$456,000....	2,324,000	329,000
Notes and accounts receivable, less reserves, \$70,000 and \$70,000.....	13,970,000	16,381,000
Inventories, at lower of cost (principally current standards) or market....	18,988,000	18,445,000
Other current assets.....	1,150,000	1,010,000
Total current assets.....	43,164,000	42,613,000
INVESTMENT AND OTHER CURRENT ASSETS, AT COST:		
Unconsolidated subsidiaries and 50% owned company.....	8,112,000	7,951,000
Receivables, advances, and other investments.....	2,263,000	2,338,000
Other assets.....	1,091,000	1,557,000
	11,466,000	11,846,000
PROPERTY, PLANT AND EQUIPMENT, AT COST:		
Oil and Gas Division, less accumulated depletion, depreciation, and amortization, \$109,522,000 and \$104,011,000.....	70,316,000	63,185,000
Chemical Division, less accumulated depreciation and amortization, \$24,185,000 and \$21,447,000.....	18,705,000	16,564,000
	89,021,000	79,749,000
Goodwill.....	2,595,000	2,572,000
	<u>\$146,246,000</u>	<u>\$136,780,000</u>
L I A B I L I T I E S	1968	1967
	(Unaudited)	
CURRENT LIABILITIES:		
Current maturities of long-term debt.....	\$ 646,000	\$ 1,012,000
Notes, payable, banks.....	861,000	989,000
Accounts payable and accrued expenses.....	11,329,000	9,956,000
Accrued income taxes.....	1,599,000	1,134,000
Other accrued taxes.....	709,000	786,000
Total current liabilities.....	15,144,000	13,877,000
Long-term debt, less current maturities.....	21,003,000	17,167,000
Sale of future production.....	753,000	1,093,000
Deferred United States income taxes payable.....	183,000	407,000
Reserve for deferred compensation.....	1,201,000	1,243,000
SHAREHOLDERS' EQUITY:		
Capital stock:		
Preferred stock—liquidating value \$22,597,500 and \$21,002,880 in excess of stated value.....	11,111,000	11,980,000
Common stock.....	37,300,000	36,159,000
Total capital stock.....	48,411,000	48,139,000
Additional paid-in capital.....	11,246,000	10,677,000
Retained earnings.....	53,251,000	49,483,000
Less treasury shares, at cost.....	(4,946,000)	(5,306,000)
Total shareholders' equity.....	<u>107,962,000</u>	<u>102,993,000</u>
	<u>\$146,246,000</u>	<u>\$136,780,000</u>

KEWANEE OIL COMPANY AND SUBSIDIARIES

STATEMENT OF CONSOLIDATED EARNINGS (United States Dollars)

	Nine Months Ended September 30,	
	1968	1967
	(Unaudited)	
REVENUES:		
Sales and other operating revenues	\$91,817,000	\$83,991,000
Dividends, interest and other income	700,000	782,000
Equity in undistributed earnings (losses) of unconsolidated subsidiaries and 50% owned company	(2,000)	(87,000)
	<u>92,515,000</u>	<u>84,686,000</u>
COSTS:		
Manufacturing and production	65,463,000	60,435,000
Selling, general and administrative	11,904,000	11,072,000
Depletion, depreciation and amortization	6,051,000	5,572,000
Interest	1,075,000	704,000
	<u>84,493,000</u>	<u>77,783,000</u>
Earnings before income taxes	<u>8,022,000</u>	<u>6,903,000</u>
INCOME TAXES:		
Current	1,972,000	1,068,000
Deferred	(152,000)	452,000
	<u>1,820,000</u>	<u>1,520,000</u>
Net earnings	<u>\$ 6,202,000</u>	<u>\$ 5,383,000</u>
Per share earnings applicable to common stock (a):		
Net earnings applicable to common stock	<u>\$1.47</u>	<u>\$1.25</u>
Pro forma earnings per share of common stock reflecting conversion (a):		
Pro forma net earnings applicable to common stock	<u>\$1.36</u>	<u>\$1.19</u>

(a) Share calculations are based on average common shares outstanding adjusted for subsequent stock dividends; pro forma net earnings per share also include as outstanding shares issuable at the 1.5 conversion ratio for the Series A Convertible Preferred Shares.

KEWANEE OIL COMPANY AND SUBSIDIARIES
STATEMENT OF CONSOLIDATED ADDITIONAL PAID-IN CAPITAL
(United States Dollars)

	Nine Months Ended September 30,	
	1968	1967
	(Unaudited)	
Balance at beginning of period.....	\$10,721,000	\$10,882,000
Credits arising from employees' stock options, stock bonus, etc.....	217,000	100,000
Credits arising from exchange of stock for company acquired.....	308,000	—
Pooling adjustments, etc:		
Merger expenses.....	—	(60,000)
Retirement of shares:		
Ordinary Common.....	—	(188,000)
Series A Convertible Preferred.....	—	(57,000)
Balance at end of period.....	<u>\$11,246,000</u>	<u>\$10,677,000</u>

KEWANEE OIL COMPANY AND SUBSIDIARIES
STATEMENT OF CONSOLIDATED RETAINED EARNINGS
(United States Dollars)

	Nine Months Ended September 30,	
	1968	1967
	(Unaudited)	
Balance at beginning of period.....	\$50,365,000	\$47,797,000
Net earnings.....	6,202,000	5,383,000
RETIREMENT OF SHARES:		
Ordinary Common.....	—	(99,000)
Series A Convertible Preferred.....	—	(290,000)
CASH DIVIDENDS:		
Series A Convertible Preferred: \$1.50 and \$1.50.....	(1,089,000)	(1,149,000)
Convertible Common, including former Class A shares: \$.45 and \$.45...	(251,000)	(257,000)
Ordinary Common, including former Class B shares: \$.68 and \$.68.....	(1,976,000)	(1,902,000)
Balance at end of period.....	<u>\$53,251,000</u>	<u>\$49,483,000</u>

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1968
(UNAUDITED)

During 1968, the Company started to amortize unproved offshore lease acquisition costs. Such amortization, net of related tax effect, aggregated \$320,000 to September 30, 1968. Final accounting policy respecting such costs is being reviewed currently. Unamortized cost, at September 30, 1968 on leases where exploratory work continues, approximates \$3,600,000 net of its related future tax effect.

A sale of the Company's interest in a subsidiary (57% owned) negotiated subsequent to September 30, 1968 is subject to approval of the United States Securities and Exchange Commission. If the sale is consummated, a loss considered immaterial will be incurred.

